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30 August 1960
Final - USIB Approved

ANNUAL REPORT TO THE NATIONAL SECURITY COUNCIL
ON THE
STATUS OF THE FOREIGN INTELLIGENCE PROGRAM
(Fiscal Year Ending 30 June 1960)

Submitted by
United States Intelligence Board

August 1960

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ANNUAL REPORT TO THE NATIONAL SECURITY COUNCIL

ON THE

STATUS OF THE FOREIGN INTELLIGENCE PROGRAM*

(Fiscal Year Ending 30 June 1960)

I. Organization, Integration and Coordination

During its second year of operation, the United States Intelligence Board moved further to solidify its managerial direction of the national foreign intelligence effort, while strengthening its over-all capabilities to follow closely those world developments of particular interest to policy makers. This was done principally through the vehicle of regular weekly Board meetings. In discharging its responsibilities, the Board received important substantive and technical support from its committee structure and from effective liaison and day-to-day working arrangements between the members of the intelligence community, both in Washington and the field.

The Board's guidance of the community was effected primarily through means such as the promulgation of broad intelligence directives, establishment of priorities and requirements, and specific policy decisions. For example, in approving a new list of Priority National Intelligence Objectives (DCID No. 1/3, New Series) the Intelligence Board provided over-all guidance for coordination of intelligence collection and production in response to requirements relating

*Activities in the COMINT and ELINT fields are discussed in a Special Annex to this report distributed through separate channels.

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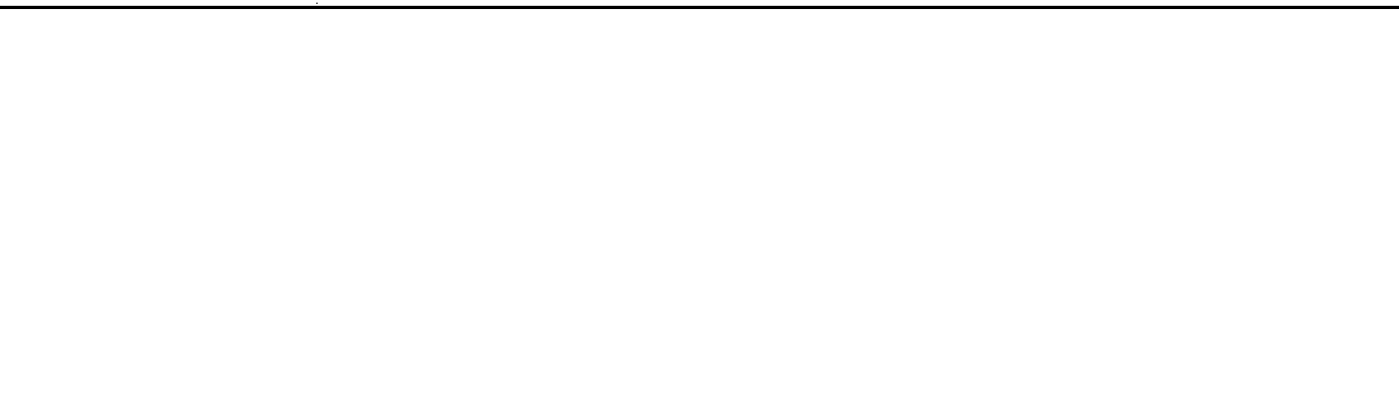
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to the formulation and execution of national security policy. In the clandestine field, the Board also issued various new basic directives. These regulate the coordination, liaison arrangements and cover support for our espionage and clandestine counter-intelligence activities abroad (DCIDs No. 5/1; 5/2; 5/4, New Series) and govern the operation of a central community index and repository of certain counter-intelligence information (DCID No. 5/3, New Series). Moreover, the community moved to improve further its guidance for the clandestine collection of priority information, largely through a new approach involving the statement of requirements and targets on a world-wide rather than country basis. The concept that MAAG and certain non-intelligence mission personnel should report items of interest to intelligence was reiterated and given further emphasis by a JCS directive, thus broadening our collection base in areas where the attitude and influence of the military is often a key factor. We provided further operational guidance to field personnel on matters

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With respect to overt collection, we revised our procedures and policies for the coordination of such collection abroad (DCID No. 2/1, New Series). In addition, special efforts were made, both at headquarters and in the field, to

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develop more effective coordination of overt collection activities by all representatives of U. S. intelligence agencies stationed at posts abroad. The Board also initiated a review of the directives providing

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In the publications procure-

ment area, there was some improvement in our over-all ability to acquire Soviet materials but important gaps persisted with respect to certain military publications. Due to increasingly severe restrictions imposed by the Chinese Communists upon the export of their materials, it was necessary to intensify our specialized collection efforts in that field; nevertheless, procurement of these publications is still a major problem with particularly significant deficiencies in the scientific and technological areas.

Despite the guidance furnished in both the overt and covert collection fields through various general directives and the PNIO's, many practical difficulties arise in effectively implementing such basic guidance, especially in translating broad statements of priorities into the more specific requirements needed for efficient collection in the field.

The community also directed attention to various priority collection matters of a specialized nature. In support of U. S. research and development on defense against Soviet ballistic missiles, for example, the Intelligence Board established and transmitted to the Secretary of Defense a requirement for a

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specially equipped KC-135 aircraft, studied intensively the possible use of ships instrumented for this purpose and mounted an extensive community-organized effort to observe Soviet missile tests conducted in the Central Pacific. The Board also established intelligence requirements for satellite reconnaissance vehicles and for surveillance of foreign satellites.

With respect to intelligence documentation techniques and procedures, we completed a major revision of the community's intelligence subject and area indexing codes. We also continued to study the application of modern data processing techniques, including the potential of mechanical translation for partially alleviating some of our problems.

In the field of security, the Director of Central Intelligence, in consultation with the Board, issued guidance for the implementation of the Presidential directive regarding "Disclosures of Classified Intelligence". We also developed improved procedures and techniques for carrying out our investigations of unauthorized disclosures. The community, in addition, undertook a thorough review of the basic directive governing dissemination and use of intelligence (DCID 11/2).

In the area of fiscal and administrative planning, the Board issued a coordinated cost data report covering the foreign intelligence activities of the community as a whole for fiscal year 1959 and made some progress in the development of uniform cost criteria. Moreover, our foreign intelligence publications were examined, particularly from the standpoint of eliminating possible duplication, improving coordination and reducing costs. A plan for

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more effective intelligence support of the Government under emergency conditions was also prepared by a community task force and submitted for USIB consideration.

As before, we produced a large number of community-coordinated publications representing, in their respective fields, the end product of the entire intelligence process. The National Intelligence Estimates covered a wide range of geographical areas and problems of interest to policy-makers, with special emphasis on Soviet and Bloc activities. With respect to basic intelligence, budget reductions and diversion of effort by contributing agencies prevented achievement in FY 1960 of National Intelligence Survey production targets (and may likewise in FY 1961) and required as an interim measure that maintenance of previously published NIS be limited to higher priority areas and topics. However, by the end of the year there had been essentially complete NIS coverage of the JCS highest priority areas and approximately 80 percent of initial world-wide coverage. The Current Intelligence Bulletin continued to furnish all-source current intelligence on a coordinated, timely basis to the highest policy levels in Government.

During the period we continued to benefit from intelligence liaison and exchanges with friendly foreign governments on both the overt and covert level, particularly in our relations with the intelligence authorities.

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II. Early Warning Capabilities

The problem of providing strategic early warning continues to grow in complexity in the face of increasing Soviet progress in advanced weapons

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25X1C systems, particularly in the field of intercontinental ballistic missiles. Major elements of our resources continue to be directed toward this problem. Nevertheless, no sure sources of warning of ICBM attack have been developed. Our capability to provide warning of attack by conventional forces (alone or in conjunction with missiles) is a little more hopeful, despite several developments during the year which have adversely affected the quality and availability of certain important types of warning information. In situations initially involving more localized crises, advances in analysis techniques, exchanges of information with [] improvements in the speed of communication and liaison and collaboration within the intelligence community have helped to improve the chances for timely warning.

25X1 In the course of the year, the [] Intelligence Alert Indicator List was revised and the basic [] Alerts Agreement amended. Generally speaking, the Agreement was broadened to provide for exchange of information assessed as indicating that a nation of the Sino-Soviet Bloc is about to engage in international hostilities anywhere in the world, as opposed to the earlier limitation to the NATO area. With the completion of preliminary elements of the Warning Systems Survey, action was taken both toward developing valid 25X1C missile indicators in cooperation [] and following up other leads and suggestions arising from the Survey. In addition, the Watch Committee of the USIB has initiated a thorough re-examination of its charter and procedures. Various automatic data processing systems also are being investigated for their potential use to the strategic warning system.

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In the related field of communications, as the CRITIC system continued to operate, its procedures were further developed and additional steps were taken to implement the Department of Defense "Criticom" Plan designed to augment and improve transmission facilities. It now appears that where U. S. Government-operated communications are involved there is a high likelihood that within the foreseeable future [] will move to Washington with average speeds approaching 10 minutes; however, the prospects are much less encouraging where we must depend on commercial or non-U. S. Government-operated communications facilities. Nevertheless, despite these advances, our over-all capabilities for providing strategic early warning remain limited, and the warning problem appears likely to grow even more difficult for intelligence as we move further into the missile era.

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III. Intelligence Capabilities by Area

A. The Sino-Soviet Bloc

1. USSR

There have been no substantial changes during the year in our capabilities with respect to political intelligence on the USSR. Our judgments continued to be based primarily on a wide variety of available overt source materials. We also benefited to some extent from increased contacts between Westerners and Soviet nationals at all levels, including Mr. Khrushchev himself, and from clandestinely acquired information. Accordingly, we are able to gauge the general pattern and direction of Soviet policy and, at times, to predict its course over the short term. However, we are seldom in a position to anticipate

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particular Soviet foreign policy moves or significant shifts of power on the internal scene. Regarding the Sino-Soviet relationship, major uncertainties persist but the emergence of almost open debate between the countries provided us with valuable evidence bearing on this question. The expanding political and economic offensive of the Sino-Soviet Bloc in underdeveloped and newly emerging countries also remains a priority target.

We continue to be able to assess the broad strengths and weaknesses of the Soviet economy with considerable confidence. Our ability to forecast the long-range growth prospects of that economy improved during the year through the development of more reliable research and analytical tools. Mission-oriented analyses of military expenditures were carried out for the first time, offering new and firmer insights into the costing of Soviet military programs and providing a more useful base for comparison of U. S. and Soviet military outlays. Nevertheless, despite a concerted effort to focus on economic aspects of the production of military equipment and especially guided missile weapons systems, serious gaps remain in our information on these areas, including on ICBMs. However, general progress along all these fronts is enabling us to clarify and redefine certain priority economic intelligence collection requirements.

Collection of military intelligence in the USSR remains a major problem due to factors such as stringent Soviet internal security measures and the increasingly difficult and costly effort required to obtain data on complex new weapons systems. Moreover, in the cessation of U-2 flights the community

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lost a highly valuable source of intelligence on areas of critical importance to the U. S. Despite these difficulties, we are still able to assess with reasonable assurance the broad military capabilities of the Soviet Union. Nevertheless, we are hampered increasingly by the cumulative effects of certain continuing gaps in our information, especially concerning rapidly developing changes in Soviet military organization and doctrine as well as in their advanced weapons capabilities. The most pressing need at present concerns the development of the Soviet ICBM program and the current and prospective location and scale of ICBM operational deployment. Other urgent problems concern two Soviet defensive programs against U. S. retaliatory forces: the Soviet anti-ballistic missile system and the anti-submarine warfare system. Additionally, despite intensified collection efforts, we have been unable to acquire topographic maps and geodetic data in the detail required for all military purposes. Reconnaissance, mapping and geodetic earth satellites, presently in an advanced stage of development, offer prospects of meeting these requirements.

During the past year, we improved our coverage of Soviet programs in the atomic energy field. Useful new information was obtained, for example, on the production rates and grades of Soviet Bloc uranium ores. We refined our estimate of Soviet U-235 production; however, we feel less certain than last year about our estimate on plutonium production. We also gained further information on the general status of Soviet reactor technology as well as on the cutback in the Soviet nuclear-electric power program. In addition, we have now identified probable Soviet projects for the construction of nuclear sub-

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marines, but still have not identified specific Soviet research and development programs for nuclear propulsion of aircraft, rockets, or missiles. Our knowledge of nuclear weapon fabrication and stockpile sites in the USSR has increased but weaknesses persist in our intelligence on the types and quantities of nuclear weapons stockpiled by the Russians.

Principally through extensive and costly collection and analysis efforts, there has been some increase in our general knowledge of the USSR missile, anti-ballistic missile and space programs during the past year. Our firmest intelligence continues to concern Soviet research and development in these fields, especially on ballistic missiles. Some progress was made in read-out of Soviet telemetry and valuable new data were acquired through means such as our community-organized observations of Soviet test firings into the Central Pacific. Nevertheless, as a consequence of Soviet security restrictions and the complexity of the technical problems, critical gaps remain in our information on matters such as location and identification of Soviet operational sites, deployment patterns, missile production, stockpiling and related training activities.

As a result of analytical studies and further exploitation of both overt and clandestine collection opportunities, we improved our intelligence on Soviet science and technology. However, our capabilities in these fields are limited by serious existing deficiencies in our raw data. Nevertheless, gains

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occurred especially in the fields of fundamental sciences, organization and control of science, education in the sciences, conventional weapons systems (including BW and CW), electronics (particularly with respect to Soviet air and missile defense systems), earth satellite and space vehicles, and communications. Moreover, we have a firmer understanding of the role of Soviet science as an instrument of national power.

2. Communist China

Although we registered some improvements in both our overt and clandestine reporting on Communist China, our over-all coverage of that country continues to fall considerably short of essential needs in virtually all areas. Open source materials, and information furnished to us by friendly countries

25X1 [redacted] in Communist China [redacted] 25X1C

25X1C [redacted] provide us with a general knowledge of principal developments; however, they do not constitute a satisfactory basis for predicting specific events or redirections in either the domestic or foreign policy fields. While our military intelligence is sufficient for generalized assessments, it remains deficient in important areas such as Chinese Communist moves to develop or acquire nuclear weapons. Similarly, our scientific intelligence tends to be adequate only for broad judgments as to the size, direction and progress of Communist China's scientific effort. In the economic field, there continues to be a large volume of Chinese Communist materials available, but accurate assessments are handicapped by the unreliability of these data and by the lack of adequate confirmatory evidence.

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3. Other Bloc Areas

The quantity and quality of intelligence on most Bloc countries continue to suffer from regime security policies which restrict contacts with citizens or officials, limit travel and hamper other intelligence activities. Despite these policies, however, a modest increase in contacts with Bloc officials and a larger flow of tourists to the Eastern European Bloc areas during the year provided us with some additional collection opportunities. Poland in particular tolerated relatively free contact. Both our overt and covert coverage of East Germany is good, with covert sources providing especially valuable data on GDR political affairs as well as on intra-Bloc relations. Nevertheless, our information on the Eastern European Bloc countries does not provide us with a reliable basis for the prediction of uprisings or new policy orientations. Our intelligence data on North Korea, North Vietnam, and Mongolia remain generally limited and, in certain categories such as order of battle information, are seriously inadequate.

B. Non-Bloc Areas

Our intelligence coverage of Western Europe continued to be extensive and generally satisfactory; the problem is more one of analyzing the large volume of material available than of acquiring additional data. However, we would benefit from further coverage of NATO and defense activities of these countries, particularly those related to the situation in Africa, and additional information on trends in popular attitudes and reactions to international events in certain countries.

There was a steady increase during the year in our over-all capabilities to

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collect intelligence on the Middle East from both overt and clandestine sources. For example, Qasim's difficulties and the conflict between Communists and nationalists in Iraq, as well as the emerging problems in Iran were all well-covered. The greatest advances in political intelligence collection were made in Iraq (where our collection had been seriously disrupted by the revolution of the previous year), while limited progress was achieved in countries such as

25X6 [] Afghanistan. Military intelligence on the Middle Eastern

countries continues to be generally adequate to assess capabilities in broad terms but it remains relatively weak on details concerning the Iraqi, Afghan,

[] and UAR forces. []

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[] as well as important data bearing on intra-

regional disputes.

Our intelligence on non-Communist Asia remains satisfactory in most respects, although there are variations from country-to-country in the depth of coverage and difficulties of analysis. Reporting [] was particularly improved during the year, and establishment of a new attache

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[] should improve our capabilities in the troubled northern border

areas. On the whole, [] is suf-

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ficiently good, but significant gaps exist below that level and become extremely important when the top layer of government is replaced, as in Korea. We also need additional information about existing and potential coup groups within the various governments, other dissident movements and the machinations of Communists in the area.

The sudden recent emergence of a number of new nations in Africa, com-

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bined with increased Communist penetration and political instability in the area, has considerably expanded requirements for intelligence. Our ability to fulfill these rapidly growing requirements is severely limited. However, diplomatic representation was increased, steps were taken to enlarge service attache coverage, and moves were made to develop and expand our current and potential clandestine capabilities. Greatly intensified efforts will be needed, nevertheless, to remedy our deficiencies in information on local economic and social organization, political groupings, military establishments, and biographic and other data about the myriad of new leaders.

Although our intelligence on Latin America was strengthened during the year, swiftly moving events have placed additional demands on intelligence in that area. Major problems stem from ultra-nationalism frequently coupled with anti-U. S. sentiment and extremist intrigues, as well as from the rapid pace of social and political development. These have been complicated by the sharp rise in Sino-Soviet Bloc influences in Cuba and increased Communist subversion elsewhere in the Western Hemisphere. Such developments further underscore our needs for information about the leadership and organization of revolutionary and reform elements and on the political reliability of the security and military forces.

IV. Outlook

We expect to make further progress in the areas of integration, coordination and management of the national foreign intelligence effort. In this connection, the question of establishing priorities and requirements and making the most efficient allocation of available assets on a community-wide basis in the face of

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increasing demands on resources will remain one of our most difficult and challenging problems. We hope to develop more refined procedures for ascertaining intelligence costs and to improve further our coordinating machinery for both clandestine and overt collection. In addition, we should benefit from the greater experience of our analysts and from more efficient intelligence-handling techniques, including increased use of modern data processing as appropriate.

In terms of substantive coverage, we may reasonably expect to alleviate many of our more serious present intelligence gaps on non-Bloc areas. This, however, will require a greater concentration of our resources on underdeveloped and uncommitted countries, including increases in diplomatic, service attache and clandestine coverage, further development of area experts, special language training programs, and substantially increased

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In both these and other non-Bloc countries there also must be greater emphasis on intelligence regarding opposition elements and minority groups, second echelon military and political leaders, public attitudes, important economic developments, and other factors potentially contributing to political instability or vulnerability to Bloc penetration.

With respect to Bloc areas, there appears to be no prospect of an early relaxation of the stringent security restrictions which seriously hamper our collection activities. As a result, our political, scientific, and economic intelligence will probably continue to rely heavily on analysis of material from essentially overt sources for the foreseeable future, particularly on priority

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targets such as the USSR and Communist China. We expect to register some gains in military intelligence through increasing our overt and covert collection assets, improving analytical methods and developing better technical collection techniques. New devices, such as reconnaissance satellites also offer hope, when fully operational, of overcoming certain deficiencies in our coverage. Nevertheless, we are faced with formidable obstacles in reducing our existing gaps or in meeting inevitable new requirements in many important areas of military intelligence. In the early warning field, we shall continue to study intensively the indications and warning sources question, improve our communications procedures, benefit from more modern transmission facilities and develop more efficient processing procedures. However, in the light of the growing capabilities of advanced weapons systems, the early warning problem appears likely to increase rather than diminish in complexity and difficulty for intelligence. Under these circumstances, while expecting important improvements in our over-all coverage, we cannot predict with confidence an early elimination of many of the more serious deficiencies in our intelligence on the Bloc.

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